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TO RUEHC/SECSTATE WASHDC 5723
INFO RUEHZK/ECOWAS COLLECTIVE
RUEHGB/AMEMBASSY BAGHDAD 0186
RUEATRS/DEPT OF TREASURY WASHDC
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SENSITIVE
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DEPARTMENT PASS TO USTR-AGAMA
DEPT PASS USAID/AFR FOR DATWOOD AND USAID/EGAT FOR MOTT
BAGHDAD FOR DUNDAS MCCULLOUGH
TREASURY FOR PETERS, IERONIMO, AND HALL
DOE FOR GPERSON AND CHAYLOCK
DOC FOR 3317/ITA/OA/KBURRESS AND
3130/USFC/OIO/ANESA/MCREED

E.O. 12958: N/A

TAGS: [EFIN](#) [EPET](#) [ECON](#) [EINV](#) [EAID](#) [NI](#)

SUBJECT: NIGERIA: AMBASSADOR AND STANDARD CHARTERED CEO DISCUSS
BANKING SECTOR, CBN GOVERNOR SHORTLISH

REF: LAGOS 152

1. (SBU) Summary: On April 7, the Chief Executive Officer of Standard Chartered Bank Nigeria, American citizen, Christopher Knight, paid a courtesy call on the Ambassador and discussed challenges facing the banking sector. He stated that the low price of oil is the main contributor to the economic and financial downturn in Nigeria, but was confident that the Nigerian banking sector will remain relatively strong through these turbulent times. He divided Nigerian banks into strong, relatively strong and struggling banks. The struggling banks will fail or be acquired by a strong bank while the strong and relatively strong banks will weather the financial crisis. He questioned the over zealous regulation and guidance coming constantly (and sometimes contradicting) from the Central Bank of Nigeria (CBN) and stated that CBN Governor Soludo does not have a long-term vision for the banking sector during the crisis. When asked about who might become the next CBN Governor, he expressed that Aderemi Babalola, current Minister of State for Finance, and Northerner (from Kaduna) Obadiah Mailafia, former Deputy Governor for Policy at the CBN, are two good choices for that position. (Note: We note CBN Governor Soludo's assessment of Mailafia to Ambassador on March 26 was quite negative; see reftel. End Note). Knight also mentioned Bauchi Governor Yuguda, former GON Finance Minister Okonjo-Iweala and Presidential Special Adviser Tanimu Yakubu was also on the list. The Standard Charter CEO added that Yakubu is the least qualified of all five names being discussed. End Summary.

2. (SBU) During an April 7 meeting with the Ambassador, CEO of Standard Chartered Bank Nigeria Christopher Knight said that the Nigerian economy is affected by the global financial challenges because of the low price of oil on the international market, as more than 85% of government revenues come from the sale of oil. He observed that everyone in the Nigerian government (GON) is holding their breath and hoping that the price of oil will rise above USD 45 dollars, the benchmarked price in the 2009 GON budget. A higher oil price, even in the USD 46-50 range, would solve many short term budget issues that the GON is facing. Knight mentioned that the economists at his bank predict GDP growth of 4% to 6% in the next couple of years despite oil prices. They also speculate that the inflation rate will remain around 14% for some time.

3. (SBU) Knight shared that banks are hesitant to lend to each other due to lack of transparency in bank reporting. In any "normal" market, it is customary for a bank to lend funds to another bank, but that is not the case among Nigerian banks today. Banks don't trust each others reports and therefore do not lend to one another

causing further constraints in the economy.

¶4. (SBU) Knight conveyed that Nigerian banks can be divided into three categories: strong, relatively strong and struggling. Strong banks are stable and liquid. These banks don't require any assistance from the CBN during the present economic hardships. Relatively strong banks face some challenges but with guidance and assistance from the CBN, they should be able to successfully deal with difficulties they face and survive the financial crisis. Struggling banks are those that, even with CBN guidance and assistance, will not be able to survive the crisis. These banks will mostly like go under or will be acquired by a stronger and more liquid bank. Knight did not name which banks belong to which category, but he did drop that First Bank is in talks to possibly acquire EcoBank.

¶5. (SBU) Knight stressed at the meeting with the Ambassador that CBN Governor Soludo does not have a long term vision in dealing with the banking sector during the financial crisis. Regulations and Guidance from the CBN are coming out fast and furious with no long term vision that at times is confusing and contradicting. He hoped that Governor Soludo's possible replacement has a long term vision. From his viewpoint the two promising candidates for the CBN Governor position to be Kaduna-born Obadiah Mailafia and current Minister of State for Finance Aderemi Babalola. Obadiah Mailafia is a former Deputy Governor for Policy at the CBN and Chief Economist of the African Development Bank, and currently the one of two private sector advisors on Yar'Adua economic management team (EMT). Aderemi Babalola is presently the Minister of State for Finance, and in Knight's view, is a great candidate. (Note: U.S. Mission thinks highly of Babalola as he is an accomplished technocrat, with both professional and academic credentials. End Note).

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¶6. (SBU) Knight questioned the experience and qualifications of the two other possible candidates for the CNB Governor position: the present governor of Bauchi State and son-in-law of President Yar'Adua, Isa Yuguda, and the President's Economic Advisor, Tanimu Yakubu Kurfi. He shared that these individuals would not provide adequate guidance and leadership for the CBN and the banking sector given their lack of experience, professional and academic qualifications.

¶7. (U) This message was coordinated with ConGen Lagos.

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